

SUPPLIER AUDIT PROGRAM FOR TITLE 15 CFR 050.503

Max Boath
AUGUST 2024

1. REGULATION OVERVIEW

2. AUDIT PROGRAM SETUP

3. AUDIT PROGRAM ROLLOUT

4. RISK MITIGATION AND SUPPLIER ENGAGEMENT

5. KEY FINDINGS AND NEXT STEPS

REQUIREMENT

New regulation

Semi-annual audits for
critical suppliers
starting in 2026

SCOPE

Supplier framework

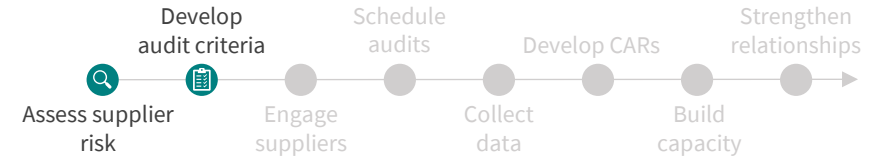
Stringent standards
focus on financial,
environmental, data
privacy, human rights

COMPLIANCE

Mitigate risks

Crucial to safeguarding
against operational,
financial, reputational,
and environmental risks

Audit program setup



ASSESS SUPPLIER RISK

OBJECTIVE

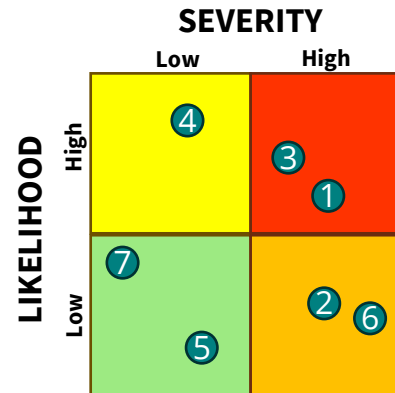
Identify and categorize suppliers based on their risk exposure to compliance requirements

METHODS



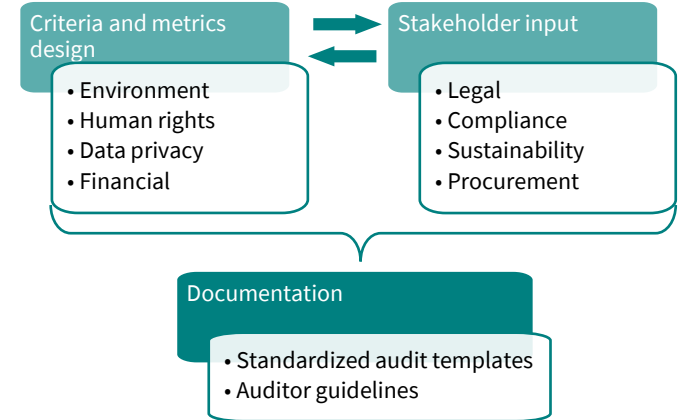
Critical suppliers

1. Pettersen SA
2. Zboncak Group
3. Jurgens – Liebold
4. Hessel LLC
5. ...



DEVELOP AUDIT CRITERIA

Establish clear and measurable criteria for the audit, aligned with the new regulatory requirements

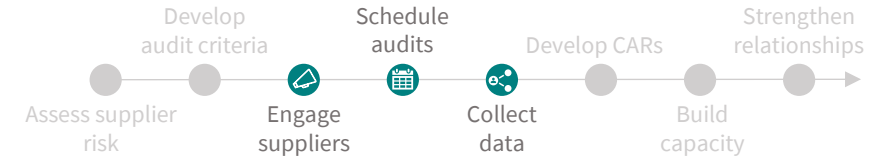


FREQUENCY

Once

Once

Audit program rollout



ENGAGE SUPPLIERS

OBJECTIVE

Ensure suppliers understand audit expectations and are prepared to meet compliance requirements

- **Communicate**
 - Regulation requirements
 - Audit expectations
- **Pre-audit support**
 - Webinars, workshops, consultations
- **Feedback mechanisms**
 - Channel for questions, concerns
 - Ensure transparency, cooperation

METHODS



SCHEDULE AUDITS

Establish a clear timeline, schedule, and auditor selection for biannual audits

Timeline planning

- Rolling schedule (avoid audit fatigue)



Resource allocation

- Internal SMEs or third-party
- Third-party qualification criteria

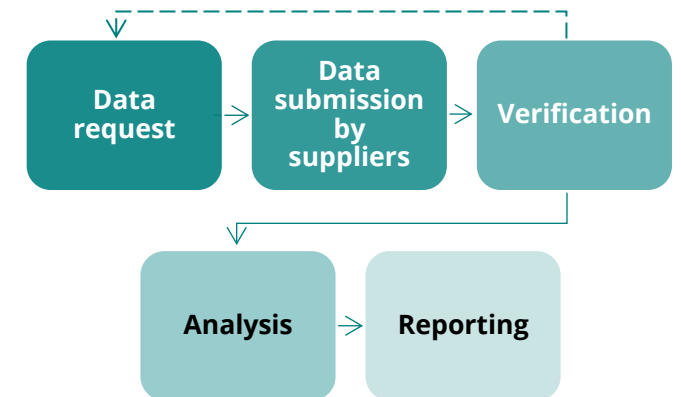
Contingency planning

- Remote audits or SAQs



COLLECT AND ANALYZE DATA

Build trust and collaboration with suppliers to enhance compliance and reduce risk



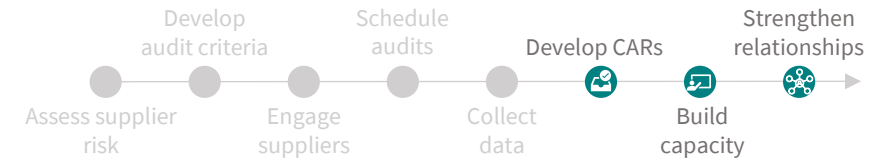
FREQUENCY

Once

Once, then ongoing

Each audit

Risk mitigation and supplier engagement




DEVELOP CORRECTIVE ACTION PLANS (CAPS)

OBJECTIVE

Address any areas of non-compliance identified during the audit and mitigate associated risks

METHODS

- **Audit findings**
 - 48-hr review
 - Risk categorization 
- **Root cause analysis**
- **Corrective action planning**

| | | |
|-----------------|--------------|--------------|
| Critical | Major | Minor |
| 7 days | 14 days | 30 days |

 - Penalty/termination thresholds
- **Implementation support**
- **Monitor progress**



BUILD CAPACITY AND ESTABLISH IMPROVEMENT PROGRAMS

Foster supplier capacity and a culture of continuous improvement for long-term compliance with regulatory and company requirements

Resources

- Training programs
- Resource hub
- Peer learning

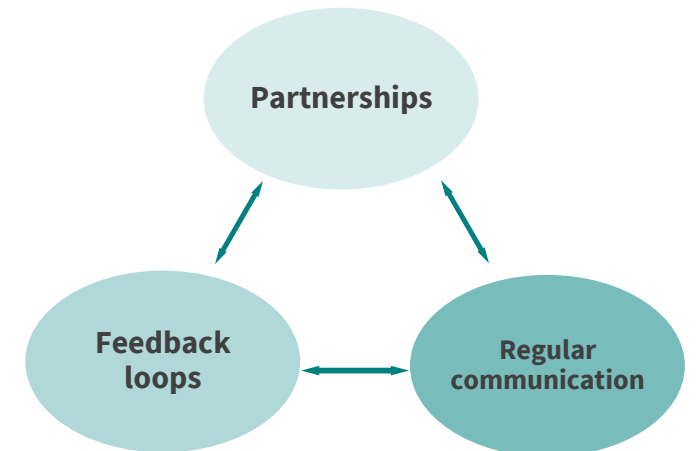
Improvement programs

- Performance reviews
- Incentives
- Collaborative innovation



STRENGTHEN SUPPLIER RELATIONSHIPS

Build trust and collaboration with suppliers to enhance compliance and reduce risk



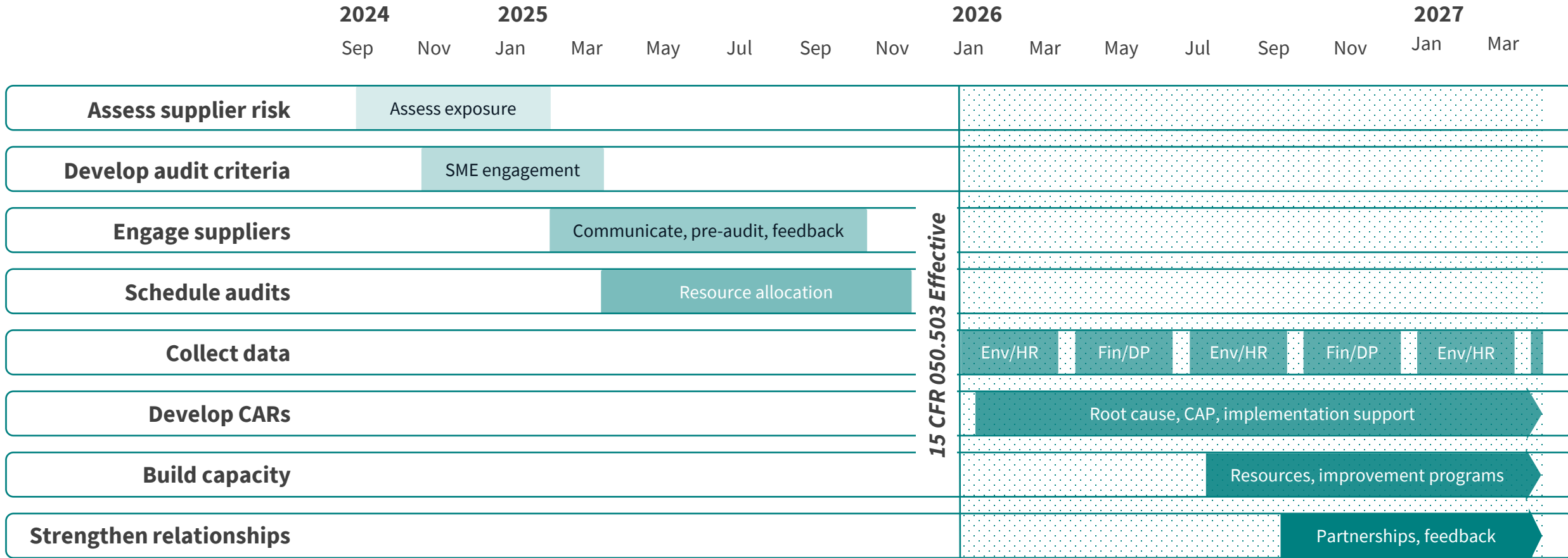
FREQUENCY

Each audit

Ongoing

Ongoing

Program **timeline**



Key findings and next steps

Program pillars

Regulatory context



Audit evaluation plan



Risk mitigation and monitoring



CHALLENGES

Scalability and speed

- Prioritize high-risk suppliers
- Establish a cross-functional team

Resource allocation

- Utilize third-party auditors

Supplier resistance

- Proactive engagement
- Pre-audit support
- Invest in supplier capacity-building

RECOMMENDATIONS

NEXT STEPS

Short term

- Work with SMEs and Legal to develop and finalize audit criteria
- Notify suppliers
- Schedule initial audits

Long term

- Supplier compliance through semiannual audits, continual improvement programs, ongoing supplier engagement
- Biannual internal program audit, audit data trends
- Expand audit framework to include emerging risks, future regulatory changes, economic, geopolitical technological changes